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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-seventh Meeting
Montreal, 17-19 July 2002

COMPLETED PROJECTS WITH BALANCES

Introduction

1. This document is prepared in compliance with Decisions 28/7 and 31/2(a) through which the Executive Committee requested reports on projects completed 12 months previously with remaining balances from the funds approved by the Executive Committee.

2. The document provides a summary of the submissions of the implementing agencies on projects with completed balances, the return of funds from cancelled projects, and other adjustments to projects previously approved. It also addresses issues raised during the review, and provides recommendations for the Executive Committee's consideration. The submissions of the implementing agencies are available upon request.

Funds being returned to the 37th Meeting

3. The implementing agencies have indicated that they will be returning a total of US \$3,712,818 to the 37th Meeting. This sum arises from completed projects with balances, unobligated funds from cancelled projects, and adjustments identified in the agencies' progress reports. The following table indicates the level of funds being returned by agency.

Agency	Funds from Completed Projects (US\$)	Funds from Cancelled Projects (US\$)	Adjustments in the Progress Report (US\$)	Total Funds to be Returned to the 37 th Meeting (US\$)
UNDP	103,100	196,093	*	299,193
UNEP	69,497	0	*	69,497
UNIDO	428,300	65,000	**	493,300
World Bank	1,187,990	0	1,662,838	2,850,828
TOTAL	1,788,887	261,093	1,662,838	3,712,818

* UNDP and UNEP agreed to list all balances in the context of their reports on completed projects with balances rather than their progress reports.

** UNIDO lists two projects (US \$45,000) in its Adjustments tables that are included as cancelled projects in its balances report.

Projects with Balances by the Year the Project was completed

4. The following table indicates the number of projects with balances that are still being held by the implementing agencies, and the years that they were completed:

Year Completed	Number of Projects* and Amount of Balances by Agency									
	UNDP		UNEP		UNIDO		World Bank		TOTAL	
	Number	US \$	Number	US \$	Number	US \$	Number	US \$	Number	US \$
1996	3	25,921	-	-	1	112,933	-	-	4	138,854
1997	3	13,861	-	-	3	29,212	**	-	6	43,073
1998	6	77,050	-	-	20	1,488,080	2	62,610	28	1,627,740
1999	25	564,899	2	6,477	14	661,920	11	514,837	52	1,748,133
Projects completed over 2 years	37	681,731	2	6,477	38	2,292,145	13	577,447	90	3,557,800
2000	67	761,919	7	86,100	34	1,092,742	14	1,312,980	122	3,253,741
2001	23	715,905	5	160,966	14	247,717	6	1,435,121	48	2,559,709
TOTAL	127	2,159,555	14	253,543	86	3,632,604	33	3,325,548	260	9,371,250

* Projects with balances of a few dollars (up to 5) were not included.

** There was a balance for a project in Egypt that was completed in 1997 but balances were returned to the 36th Meeting.

5. The table above shows that there were 90 projects with balances from projects completed over 2 years ago. The total balances held for these projects is US \$3,557,800 of the total balances of US \$9.37 million. The Executive Committee has decided that all remaining balances should be returned 12 months after project completion.

6. The Secretariat is recommending to the Executive Committee, in the context of its consideration of the Evaluation of the Implementation of the 2001 Business Plans (UNEP/OzL.Pro/ExCom/37/17), a possible new indicator for financial completion of projects and a decision that would offset the amount of balances for projects approved over two years ago against new approvals. If that decision were to be taken, the Committee would offset the following amounts by agency: UNDP (US \$681,731 plus support costs); UNEP (US \$6,477 plus support costs); UNIDO (US \$2,292,145 plus support costs); and the World Bank (US \$577,447 plus support costs), against project approvals for these agencies at the 37th Meeting.

Obligated and Un-obligated Balances

7. Remaining balances from projects completed over one year previously are classified as obligated and un-obligated, as follows for the four implementing agencies:

Agency	Obligated Balances (US\$)	Un-obligated Balances (US\$)
UNDP	2,560,091	684,574
UNEP	253,543	0
UNIDO	2,433,536	1,199,071
World Bank	3,325,548	0
TOTAL	8,572,718	1,883,645

Agency support costs

8. At its 35th Meeting, the Executive Committee decided to request implementing agencies to return all agency support costs associated with remaining funds from projects, and if

expenditures had been incurred from this cost, the implementing agencies should provide an explanation and return the balance of funds (Decision 35/13(k)). The following table presents the level of agency support costs being returned to the 37th Meeting.

Agency	Agency Support Cost Returned (US \$)
UNDP	38,894
UNEP	9,035
UNIDO	64,128
World Bank	76,545
Total	188,602

9. Pursuant to Decision 35/13(k), the World Bank provided in its report to the 36th Meeting explanations about the amount of agency support costs incurred against cancelled projects, which are generally due to its disbursement to its local financial intermediary of funds for the appraisal of projects after the Committee approves the project, but before the Bank clears the project for implementation. The World Bank also indicated that the agency fee charges against savings in project budgets should not be returned since the full project was implemented and is requesting that the agency support costs against savings should be returned to the Bank for those projects where the Secretariat has deducted such amounts from transfers to the Bank by the Treasurer.

World Bank report on balances

10. Based on the Bank's presentation to the 36th Meeting, it will explain its administrative costs to the 37th Meeting. The Committee will still need to address the issue of return of support costs from savings and cancelled projects since support costs are returned by all of the other three implementing agencies. Since the World Bank did not apply the 13% in support costs for the projects approved to it prior to the 17th Meeting, no administrative costs would be due on the US \$1,435,586 being returned from projects approved prior to the 17th Meeting. However for the balance of funds being returned to the 37th Meeting, the Bank should return additional support costs amounting to US \$101,606 from projects approved after the 16th Meeting. The Executive Committee may wish to deduct this additional level of support costs from new project approvals to the World Bank.

11. In Decision 36/4, the Executive Committee noted the amount returned by the World Bank from support costs at the 36th Meeting as US \$334,296. However, this amount is reflected as US \$51,496 in their report to the 37th Meeting.

12. The World Bank shows what is an apparent overrun in its report on balances for the Indian foam project (IND/FOA/17/INV/48). The Bank is requesting a refund amounting to US \$9,263 from the US \$35,242 it has already returned for the project because it appears that there were additional expenditures approved by the Bank after it returned funds to the Multilateral Fund.

13. Finally, the World Bank reported in its progress report submitted to this meeting balances amounting to US \$844,051 from 15 projects. However, the World Bank indicated that these balances should have not been in the report. Some of the projects have positive balances

and others negative balances. The Bank indicates that most of these should not be in the report because they were part of lines of grants or work programmes that were annually reconciled, however, the Bank's own progress report shows these as not reconciled. The Bank did address the balances of 3 of these 15 projects in the context of its progress report adjustments. The issue of apparent project overruns is addressed in the context of the Secretariat's comments on the World Bank's 2001 progress report.

RECOMMENDATIONS

The Sub-Committee on Monitoring, Evaluation, and Finance may wish to consider recommending to the Executive Committee to:

1. Note the report contained in UNEP/OzL.Pro/ExCom/37/9.
2. Note the levels of funds being returned to the 37th Meeting totalling US \$3,712,818 plus support costs as follows by agency: US \$299,193 from UNDP and agency support costs of US \$38,894; US \$69,497 from UNEP and agency support costs of US \$9,035; US \$493,300 from UNIDO and agency support costs of US \$64,128 and US \$2,850,828 from the World Bank and agency support costs of US \$76,545. However, an additional agency support costs of US \$101,606 is required to be returned by the World Bank as calculated by the Secretariat.
3. Note that implementing agencies had balances totalling almost US \$3,557,800 excluding support costs from projects completed over two years ago and if the Executive Committee decides to withhold these funds from future approvals until they are returned, the amount withheld by agency would be: UNDP (US \$681,731 plus support costs); UNEP (US \$6,477 plus support costs); UNIDO (US \$2,292,145 plus support costs); and the World Bank (US \$577,447 plus support costs).
4. Request the World Bank to return agency support costs for all project savings and cancelled projects that were approved after the 16th Meeting and fully account for all balances in its progress report and in its report on balances to be submitted to the 38th Meeting.
